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New Zealand

Fresh Deciduous Fruit

Annual

2005

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Report Highlights:
New Zealand's apple harvest in 2005 is forecast to decline 9 percent to 500,000 tons. This will reduce exports by 10 percent to 350,000 tons. Pear production is forecast to decline 40 percent to 7,000 tons due to the biennial nature of New Zealand's pear varieties. Apart from light hail during early apple growth, weather conditions have been positive for apple and pear growth to date.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Wellington [NZ1]
[NZ]

SECTION I. SITUATION AND OUTLOOK

New Zealand's apple harvest for 2005[1] is forecast to decline 9 percent to 500,000 tons. This will reduce apple exports by 10 percent to 350,000 tons. Apart from light hail during early apple growth, weather conditions have been positive to date. The smaller total crop and better average apple quality are expected to reduce the volume of apples available for processing by 9 percent.

Pear production is forecast to decline 40 percent to 7,000 tons due to the biennial nature of New Zealand's main pear varieties. Pear exports are forecast to decline 30 percent to 4,500 tons. The same positive weather conditions benefiting apple production in New Zealand has also promoted good pear growth to date.

New Zealand's attempts to gain access to the Australian apple market are ongoing. Industry participants' view 2006 as the earliest date that market access could be granted, but many feel that it is likely to occur later. The Australian government is currently planning to reorganize Biosecurity Australia, separating it from government. All import risk assessments currently under consideration by Biosecurity Australia will be resubmitted for public comment. This has effectively stalled New Zealand's application for an Import Risk Analysis regarding fire blight contamination on New Zealand apples.

Horticulture New Zealand (HNZ) is being created as an umbrella organization to present a unified voice for New Zealand's horticulture industry. HNZ will absorb the New Zealand Fruitgrowers Federation, the New Zealand Potato and Vegetable Growers Federation and the New Zealand Berryfruit Growers Federation. Creation of the new organization is expected before April 2005. HNZ will perform the role of these three organizations, with a focus on promoting the horticulture sector and its common views to the public, media, policy makers and Members of Parliament. It will also act as an information clearinghouse, distributing relevant information to its stakeholders (product groups and district associations).

[1] Note that although harvest and export occur in 2005, '2004' is used in PS&D table headings

SECTION II. STATISTICAL TABLES

PS&D TABLES

New Zealand Apples, Fresh						(HA)(1000 TREES)(MT)
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		10/2002		10/2003		10/2004
Area Planted	11700	11700	11000	11000	0	11000
Area Harvested	0	0	0	0	0	0
Bearing Trees	0	0	0	0	0	0
Non-Bearing Trees	0	0	0	0	0	0
Total Trees	0	0	0	0	0	0
Commercial Production	460000	460000	511000	511000	0	464000
Non-Comm. Production	35000	35000	39000	39000	0	36000
TOTAL Production	495000	495000	550000	550000	0	500000
TOTAL Imports	275	350	150	680	0	700
TOTAL SUPPLY	495275	495350	550150	550680	0	500700
Domestic Fresh Consump	65000	65075	75050	56000	0	56000
Exports, Fresh Only	327000	327000	390000	390000	0	350000
For Processing	103275	103275	85100	104680	0	94700
Withdrawal From Market	0	0	0	0	0	0
TOTAL UTILIZATION	495275	495350	550150	550680	0	500700

New Zealand Apple Juice, Concentrated						(MT)
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		10/2002		10/2003		10/2004
Deliv. To Processors	103275	103275	85100	104680	0	94700
Beginning Stocks	0	0	0	0	0	0
Production	15840	17600	14450	17800	0	16100
Imports	4680	2500	6400	5000	0	6000
TOTAL SUPPLY	20520	20100	20850	22800	0	22100
Exports	6605	11100	9410	10600	0	11000
Domestic Consumption	13915	9000	11440	12200	0	11100
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	20520	20100	20850	22800	0	22100

New Zealand Pears, Fresh						
						(HA)(1000 TREES)(MT)
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		10/2002		10/2003		10/2004
Area Planted	995	995	1000	1000	0	1000
Area Harvested	0	0	0	0	0	0
Bearing Trees	0	0	0	0	0	0
Non-Bearing Trees	0	0	0	0	0	0
Total Trees	0	0	0	0	0	0
Commercial Production	3085	3085	11250	10400	0	6500
Non-Comm. Production	415	415	2250	1350	0	500
TOTAL Production	3500	3500	13500	11750	0	7000
TOTAL Imports	4680	2900	2300	3700	0	3000
TOTAL SUPPLY	8180	6400	15800	15450	0	10000
Domestic Fresh Consump	2500	1400	3800	5150	0	2550
Exports, Fresh Only	3180	2500	8500	6300	0	4500
For Processing	2500	2500	3500	4000	0	2950
Withdrawal From Market	0	0	0	0	0	0
TOTAL UTILIZATION	8180	6400	15800	15450	0	10000

TRADE MATRICES

New Zealand Fresh Apple Exports					
	January - December			January - October	
Country	2001	2002	2003	2003	2004
Other EU	78,224	93,922	86,445	86,445	100,545
United Kingdom	76,499	80,955	82,631	82,631	85,688
United States	55,782	64,427	54,502	54,502	61,981
Netherlands	4,310	21,678	30,622	30,622	53,283
Germany	18,354	15,390	22,507	22,507	15,926
Taiwan	6,594	15,481	16,234	16,234	21,839
Hong Kong	14,374	8,583	12,675	12,675	7,738
Malaysia	7,908	12,356	9,018	9,018	6,663
Singapore	7,109	10,127	8,739	8,739	5,787
Indonesia	3,575	3,984	5,246	5,014	3,553
Canada	113	2,079	4,383	4,383	4,292
Thailand	2,908	2,428	3,729	3,729	1,168
France	27	2,582	3,040	3,040	5,221
India	1,966	2,701	2,959	2,959	2,638
China	885	621	2,891	2,891	177
United Arab Emirates	2,287	3,985	2,199	2,199	2,167
Other	14,506	12,910	11,429	11,102	14,125
Total	295,422	354,209	359,247	358,688	392,793

New Zealand Fresh Pear Exports					
	January - December			January - October	
Country	2001	2002	2003	2003	2004
United States	2,204	5,056	1,834	1,834	3,389
United Kingdom	1,260	2,549	714	714	1,826
Other EU	358	1,486	255	255	766
France	0	80	65	65	147
French Polynesia	14	40	63	60	86
Singapore	0	125	55	55	147
Netherlands	29	1,016	37	37	336
Wallis & Futuna Islands	13	24	31	27	21
Taiwan	0	33	24	24	60
New Caledonia	3	2	23	13	22
Other	72	270	78	71	134
Total	3,952	10,680	3,178	3,153	6,935

SECTION III. SUPPLY AND DEMAND, TRADE

PRODUCTION

New Zealand's apple harvest for 2005 is forecast to decline 9 percent to 500,000 tons. This will reduce apple exports by 10 percent to 350,000 tons. Although a reduction on 2004's record crop, 2005's forecast harvest is still above New Zealand's average. Apart from light hail during early apple growth, weather conditions have been positive to date. Extensive chemical thinning has removed most damaged apples, although growers will not know until later in the season, once the fruit is larger, how effective this has been. Apple sizing is expected to be large on average due to this extensive thinning and higher than average spring temperatures promoting cell division. Growers will control sizing to some extent through various orchard management practices.

Other factors will contribute to a reduction in New Zealand's apple crop. Firstly, the two year production cycle of some of New Zealand's apple varieties, with alternate years producing slightly less fruit than average, will lower production in 2005. Braeburn production is forecast to decrease slightly in 2005, while Royal Gala production does not usually vary significantly. Secondly, some industry participants believe that growers may utilize various orchard practices (such as more extensive thinning) in order to marginally reduce production during 2005. This will occur if growers feel that they can minimize any losses that they may incur as the result of the industry forecasting returns per carton to be close to or below breakeven. Most growers lost income due to poor prices in 2004 and this is still fresh in their minds. Industry participants feel that losses are likely again in 2005 due to the continuing strength of the New Zealand dollar and the large crop volume of Northern Hemisphere apples harvested during 2004. This will further motivate the increased use of Smart fresh by Northern Hemisphere producers, placing increased pressure on New Zealand's market window.

Industry participants predict the U.S. market will be uneconomic for New Zealand apple exports during 2005. This is the result of the continuing weakness of the U.S. dollar and readily available low cost South American fruit in this market. New Zealand producers will continue supplying the U.S. market, however, as they feel it is critical to maintain the relationships that they have created. Additionally, the other markets available to New Zealand exporters are not large enough to divert the volume of product traditionally exported to the United States.

The 2004 season produced a record 550,000 ton crop of apples. It was a challenging year for growers, however, as they lost money due to an average return per carton approximately NZ$ 2-3 below cost. Apple quality was mixed, with a good quality Braeburn crop and a poor quality Royal Gala crop. This was due to rain at inopportune times during the growing season, creating some softer fruit. This led to cuts and stem punctures once picked. Fruit quality only had a small impact on sales, however, as poor returns were most strongly influenced by New Zealand's strong exchange rate and the large surplus of Southern Hemisphere fruit on world markets. The weak U.S. dollar did benefit growers to a minor extent by lowering shipping costs, however this did very little to offset price losses it caused. The use of Smart fresh by some Northern Hemisphere growers' shortened New Zealand's optimum sales window, further reducing returns. This was compounded by New Zealand's record apple production, motivating exporters to heavily discount product later in the season in order to sell it, greatly reducing overall returns.

The volume of apples utilized for processing in 2005 is forecast to decrease 9 percent to 94,700 tons. This is the result of a smaller total crop and better average apple quality,

reducing the number of apples available for processing. Exports will decrease 4 percent to 11,000 tons as a result.

Pear production is forecast to reduce 40 percent to 7000 tons due to the biennial nature of New Zealand's pear production. Pear exports are forecast to decline 30 percent to 4500 tons. The same positive weather conditions benefiting apple production in New Zealand has also promoted good pear growth to date. Only a small percentage of the pear crop was exposed to light hail earlier in the growing season as most pears are grown in Nelson, which received no hail.

Background

New Zealand is a relatively small producer of apples, accounting for only 2 percent of world production. More than 65 percent of the crop is exported on average, however, making New Zealand one of the top 10 exporters in the world. Approximately 5 percent of world apple export volume consists of New Zealand fruit. The main apple varieties exported are Royal Gala and Braeburn, which represented 38 percent and 32 percent respectively of exports during 2003. These two varieties are becoming international commodities as their production increases in major apple producing countries. This is motivating growers to look towards proprietary breeds such as Jazz when planting new trees. Approximately 90 percent of New Zealand's apple harvest is grown in the Hawkes Bay (50 percent) and Nelson (40 percent) regions. The apple harvest begins in the second week of February in Hawkes Bay (slightly later in Nelson) and usually is completed by early May.

New Zealand pear production and exports are on a far smaller scale than apples. The higher carton prices that growers typically receive for pears are offset by higher production costs. With lower net returns to growers, pears are generally less appealing to New Zealand's farming community than apples. Most pears are grown in apple orchards, making it difficult to get an exact count on the number of hectares planted in pears. Pears are harvested from the beginning of February until the end of April. Pear trees produce in two-year cycles (biennial), with every second year producing approximately twice as much as the alternate years.

TRADE

Fire blight and Australian Market Access

New Zealand's attempts to gain access to the Australian apple market are ongoing (see NZ4016). Industry participants' view 2006 as the earliest date that market access could be granted, but many feel that it is likely to occur later. The Australian government is currently planning to reorganize Biosecurity Australia, separating it from government. All import risk assessments currently under consideration by Biosecurity Australia will be resubmitted for public comment. This has effectively stalled New Zealand's application. New Zealand's apple industry is frustrated, claiming that the process has so far cost it approximately NZ$ 1 million. The industry maintains that if Australia refuses to lift the ban New Zealand may have to consider taking Australia to the WTO. This seems unlikely, however, considering New Zealand's close relationship with Australia under the Closer Economic Relations agreement. New Zealand's government disagrees with the industry, hoping to settle the dispute bilaterally during 2005.

POLICY

Horticulture New Zealand

Horticulture New Zealand (HNZ) is being created as an umbrella organization to present a unified voice for New Zealand's horticulture industry. HNZ will absorb the New Zealand Fruitgrowers Federation, the New Zealand Potato and Vegetable Growers Federation and the New Zealand Berryfruit Growers Federation. Creation of the new organization is expected before April 2005, with a transitional board in place from October 2004 until elections in October 2005. HNZ will perform the role of these three organizations, with a focus on promoting the horticulture sector and its common views to the public, media, policy makers and Members of Parliament. It will also act as an information clearinghouse, distributing relevant information to its stakeholders (product groups and district associations). Industry participants see the organization's formation as an opportunity to present a stronger voice to government on issues common across horticultural industries.

Funding will come from a commodity levy paid by growers based on product value. The levy will be managed by HNZ, with the exception of product groups or federations of product groups who wish to incorporate HNZ funding into their own product levy or other income. Candidates for the board will be nominated by product groups and voted on by all growers. Individual product groups will continue to deal with product specific issues including research, product promotion and industry planning. Memorandums of understanding will be created between HNZ and product groups to minimize duplication of effort and possible organization clashes. Apple industry participants view Pipfruit New Zealand (PNZ) and HNZ as complimentary organizations.

Pipfruit New Zealand

PNZ's first year of operation has been successful. Industry participants feel that the inclusion of post harvest operators on the board has been beneficial to the industry (see NZ4016), with PNZ now representing 87% of post harvest operators by volume. In January 2005 PNZ's interim board will be replaced during board elections.